

Message Text

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44

ACTION NEA-16

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FM AMCONSUL KARACHI

TO AMEMBASSY ISLAMABAD

SECSTATE WASHDC 8371

LIMITED OFFICIAL USE KARACHI 1907

E.O. 11652: N/A

TAGS: BGEN, PK

SUBJECT: PATCHOGUE-PLYMOUTH NEGOTIATION FOR PURCHASE
OF LOOMS FROM PICIC

REF: ISLAMABAD 7443 AND PREVIOUS

1. NUGENT OF PATCHOGUE-PLYMOUTH REPORTED TO ME TODAY ON FAILURE HIS TWO-WEEK VISIT TO KARACHI TO FINALIZE PURCHASE OF LOOMS. NEGOTIATION FOUNDERED ON PRICE ISSUE. NUGENT HAD MADE OFFER OF \$27,253 PER LOOM FOR THE 18 LOOMS, BASED ON TELEXED ADVICE A FEW WEEKS AGO FROM SWISS MANUFACTURER (SULZER) THAT THIS WAS CURRENT SELLING PRICE FOR LOOMS INCLUDING ACCESSORIES. PICIC MANAGING DIRECTOR OSMAN ALI HAD THEN CABLED SULZER FOR VERIFICATION AND RECEIVED TELEX ADVICE THAT SELLING PRICE OF LOOMS FOR DELIVERY NEXT YEAR WOULD BE \$30,000 EXCLUSIVE OF ACCESSORIES. IT WAS IMPOSSIBLE FOR NUGENT AND PICIC TO RESOLVE THIS DISCREPANCY. NUGENT, ACTING ON INSTRUCTIONS FROM HIS HQ, REFUSED TO BUDGE FROM ORIGINAL OFFER. OSMAN ALI CONVEYED NUGENT OFFER TO ISLAMABAD (PRESUMABLY MINISTER INDUSTRIES), AND RECEIVED FLAT TURNDOWN. NUGENT SAYS ISLAMABAD INSISTING ON \$40,000 PER LOOM, INCLUDING ACCESSORIES.

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2. NUGENT PORTRAYED HIMSELF AS DISTRESSED AND EVEN IRATE

OVER THIS OUTCOME AFTER NEGOTIATION EXTENDING OVER PAST YEAR. HE CONSIDERS GOP DECISION HIGHLY IMPRACTICAL AND WASTEFUL IN V W OF FACT THAT HIS OFFER WOULD PERMIT THEM TO REALIZE ALMOST HALF A MILLION DOLLARS FROM A FROZEN AND WASTING ASSET. (NUGENT SAYS HE EXAMINED EQUIPMENT WHICH IN OPEN STORAGE. RUST HAS BEGUN TO SET IN AND WILL UNDOUBTEDLY SPREAD, RENDERING EQUIPMENT WORTHLESS OVER TIME. HE SAYS STORAGE CHARGES ALREADY INCURRED AMOUNT TO \$5,000 PER LOOM.) NUGENT SAID HE CONSIDERING BRINGING EPISODE TO ATTENTION APPROPRIATE CONGRESSIONAL COMMITTEE TO BE TAKEN INTO ACCOUNT IN CONSIDERATIONS OF AID FOR PAKISTAN.

3. WE DISCUSSED FOR A TIME THE DILEMMA CAUSED BY CONFLICTING QUOTATIONS FROM SULZER. WITHOUT TRYING TO EXONERATE GOP AGENCIES FOR WHAT NUGENT CHARACTERIZED AS IMPRACTICAL APPROACH, I CONVINCED NUGENT THAT SULZER'S INPUT HAD IN FACT PRESENTED GOP SIDE WITH SIGNIFICANT BUREAUCRATIC DILEMMA AND URGED HIM TO TRY TO SORT THAT PROBLEM OUT. HE SAID HE HAD PROPOSED TO HIS COMPANY THAT HE STOP BY SWITZERLAND ENROUTE TO US AND DISCUSS PROBLEM WITH SULZER, BUT COMPANY ADVISED HIM TO RETURN TO US AND TACKLE PROBLEM FROM THERE. NUGENT POINTED OUT THAT PATCHOGUE-PLYMOUTH IS SULZER'S BEST CUSTOMER AND THEREFORE ALL THE MORE AGGRIEVED BY SULZER'S UNHELPFUL INPUT INTO THE NEGOTIATION.

4. MATTERS WERE LEFT AS FOLLOWS. NUGENT LEAVING FOR US 21 SEPTEMBER. HE PLANS TO PREPARE A BRIEF WITHIN TWO WEEKS OUTLINING PATCHOGUE-PLYMOUTH'S POSITION, HOPEFULLY INCLUDING SOME RESOLUTION OF CONFLICTING SULZER QUOTATIONS. HE WILL SEND THIS BRIEF TO ME WITH REQUEST THAT I FORWARD IT TO ISLAMABAD AS BASIS FOR POSSIBLE RENEWED EMBASSY REPRESENTATION TO MINISTRY OF INDUSTRIES. IT WAS AGREED THAT, IN INTERIM, I WOULD TAKE OPPORTUNITY OF NEXT SOCIAL CONTACT WITH OSMAN ALI AND LOCAL ATTORNEY CAMPBELL GALLAHER TO DISCUSS IMPASSE. IF SUCH CONTACTS LEAD TO ANY NEW INSIGHTS INTO WHAT IS ESSENTIALLY A HARD-BARGAINING NEGOTIATION OVER PRICE, I WILL SO ADVISE.
TIGER

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